committees related to discussing and assessing issues arising from operations, technology and disaster recovery planning. The business continuity plans are reviewed and tested on a regular basis, with some components of the testing being performed under "near random" conditions.

Overall BNY has excellent technology risk management and operational preparedness processes in place. We will monitor risk management practices as the Mellon integration progresses.

Credit Risk

Credit risk has been significantly reduced, and credit quality indicators show favorable trends. Once an area of major concern, BNY's credit risk has consistently declined during the past few years. That's due in part to industry trends and management's aggressive reduction strategy. Moreover, the recent asset swap with JPM reduces the bank's future vulnerability to the nonfinancial corporate credit cycle, particularly in relation to the consumer and middle-market segments and commercial real estate. To illustrate, on a pro-forma basis, total nonperforming assets (NPAs) declined to $38 million as of Sept. 30, 2006. That's down from $79 million at year-end 2005. The reserve coverage of NPAs improved to 12.5x from 7.2x.

As a result of the reduced risk profile, BNY's corporate lending is less of a constraint on the credit rating than in the past. As of Sept. 30, 2006, corporate loan exposures were $24.3 billion or about one-third of nonmargin loans, $4.7 billion outstanding. That's below the bank's target hold level of $25 billion. Within the large corporate loan book, the bank has significantly cut its exposure to two high-risk industries: media and cable and telecommunications. At Sept. 30, 2006, media and cable and telecom exposure was $4.3 billion. $1.6 billion of it was outstanding. 61% is rated investment grade. Exposure to the automotive industry is very small.

Unlike some other trust and custody banks, BNY has a book of C&I credits and loans to financial institutions. In fact, with the JPM asset swap, the bank's exposure to financial institutions will now represent more than half of the total credit exposure. The average loss experience of this subsegment is 1.6 basis points during the past five years. Management sees credit as a tool to drive revenue growth by promoting the cross-sell of multiple products to existing clients, by protecting and defending existing noncredit revenues, and by providing entry into new client relationships. We concur with management that normalized credit losses should remain relatively low going forward.

Market Risk

Market risk is well contained at BNY. The most important market risks that arise from the company's activities are interest rate risk and, to a lesser extent, foreign exchange risk. In addition to gap analysis, the bank employs earnings simulation and discounted cash flow models to identify interest rate risk exposures. The biggest change from the recent asset swap with JPM was on the asset side. As loans decline, short-term investments increase, and risk-weighted assets decrease. On the liability side, BNY has swapped retail deposits for the fast-repricing of corporate trust deposits, a higher proportion of which are foreign and interest rate-sensitive. As a result, the balance sheet became more liability-sensitive.Management mitigated this sensitivity.

Regarding its trading book, the bank employs a system of position limits, stop-loss advisory triggers, and a value-at-risk (VAR) model based on Monte Carlo simulations to manage market risk. Throughout 2006, the company's daily trading loss did not exceed the calculated VAR on any given day.

Operational Risk

With the reduction in credit risk, operational risk has become more meaningful at BNY, but we think that its track record during the past three to four years has improved significantly. Operational risk arises because of the complexity in processes and its interaction with numerous third parties. Importantly, business units have ownership and primary responsibility for managing operational risk.

Liquidity Risk

Liquidity, which resembles that of a wholesale institution, is strong at both the bank and the parent company. Core deposits from the securities-servicing and asset management businesses, as well as noncore sources, such as money market rate accounts, jumbo CDs, Fed Funds purchased, and other borrowings drive liquidity. Nonmargin loans represented only 27% of total assets at Sept. 30, 2006. That's down from the 55%-60% range earlier in the decade. Temporary investments also add to liquidity sources. These include deposit placements, trading assets, Federal Funds sold, resale agreements, and investment securities maturing in less than one year. They're equal to about 20% of the total assets. In BNY's case, margin loans can also be considered a liquid asset because these short-term credits are well secured by marketable securities including margin loans. Those temporary investments equal 25% of the total assets. Management sold $5.5 billion of securities and incurred a loss in order to reposition the investment portfolio following the asset swap.

Upon full integration of the acquired corporate trust business in 2007, about $14 billion of retail deposits will be replaced with $11 billion to $14 billion of institutional corporate trust deposits. Parent company liquidity is very good as well. It is being supported by dividends from subsidiaries, CP, a revolving credit facility, and general access to the capital markets.

Accounting

There are two important accounting changes that will affect the company's capital measures in the quarters ahead.

To reflect the change in FSP FAS 13-2 (Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction), BNY will be taking a one-time after-tax charge to capital of $340 million to $385 million in January 2007. This reflects the change in the timing of its lease cash flows due to the LILO settlement. Nevertheless, a similar amount will be recognized in income during the remaining term of the affected leases.

BNY will adopt SFAS 158 (Employers Accounting for Defined Benefit Pension and Other Postretirement Plans). BNY will take a material charge to equity by year-end 2006.

Profitability

Profitability at BNY has been strong. The company's profit measures have typically exceeded those of its peers, averaging 33%-35%, well above the 29%-30% posted by the typical trust bank. With traditional banking being deemphasized, fee-based revenues should now become a higher proportion of the revenue mix, collectively growing to nearly 90% of total revenue from about two-thirds during the past five years.

Recently, trends have been somewhat distorted by the company's strategic moves and tough seasonal comparisons, particularly when comparing third-quarter results with the second quarter.

While BNY and Mellon have performed reasonably well in recent quarters, and although the integration charges of the two companies will affect earnings, the new entity should emerge poised to take advantage of potential cost savings, likely revenue synergies, and cross-selling opportunities. Both companies' good track records in past integrations mitigate the attendant integration risks.

Importantly, BNY's business model calls for elevated expenses related to an increase in technology investment spending to support new and existing clients. It typically runs high. Therefore, achieving positive operating leverage quarter-on-quarter or year-on-year is sometimes difficult given the potential volatility of revenue streams. Nonetheless, we anticipate that profitability of the combined entity will improve over time as cost saves are attained and revenue synergies created.

Capital

Although capital measures remain largely adequate for BNY's rating category, these will be pressured by a number of events in the short-term. Those include the goodwill associated with the asset swap with JPM, the adoption of pension fund accounting related to SFAS 158, and the change in leveraged-lease accounting from FAS 13-2. In addition, tangible capital will decline following the merger with Mellon, but that decline is also a result of recent transactions. Nonetheless, we anticipate that capital ratios, especially those that are risk-adjusted, will be rebuilt as 2007 and 2008 progress. That'll be done through the retention of earnings, putting a restraint on share repurchases, and containing balance sheet growth. It is important to note that, when available, we net the deferred tax liability created by the goodwill in an acquisition, and thus our adjusted tangible capital ratio is higher than the reported one.

In assessing capital adequacy, it is important to note that BNY's securities-servicing and asset management businesses contain legal, operational, and reputational risks that are not factored into regulatory capital ratios. This suggests the need to maintain a strong capital foundation.

The quality of capital is affected by $1.15 billion in trust-preferred securities. This is $542 million above our policy threshold for capital credit. These instruments are an inferior form of capital because of their dated maturities and limited income deferral features. Our policy limits trust-preferred securities to no more than 10% of tangible capital. Any excess beyond this threshold is not included in the calculation of proprietary capital ratios.

Table 2

Balance Sheet Statistics

	—Year ended Dec. 31—						Breakdown as a % of assets (adj.)					
(Mil. $)	2006*	2005	2004	2003	2002	2001 -	2006*	2005	2004	2003	2002	2001
Assets												
Cash and money market instruments	23,964	13,777	16,707	15,181	11,237	14,654	23.50	14.10	18.50	17.19	14.98	18.56
Securities	25,281	29,860	25,033	25,121	22,013	17,710	24.79	30.55	27.72	28.44	29.35	22.43
Trading securities (marked to market)	3,266	3,992	1,925	2,853	4,533	5,884	3.20	4.08	2.13	3.23	6.05	7.45
Nontrading securities	22,015	25,868	23,107	22,268	17,480	11,826	21.59	26.47	25.59	25.21	23.31	14.98
Mortgage-backed securities included above	0	21,052	17,963	18,601	9,419	1,595	0.00	21.54	19.89	21.06	12.56	2.02
Loans to banks (net)	0	3,243	2,797	1,555	1,215	1,219	0.00	3.32	3.10	1.76	1.62	1.54

Table 2

Balance Sheet Statistics *(cont.'d)*

	—Year ended Dec. 31—						Breakdown as a % of assets (adj.)					
(Mil. $)	***2006****	***2005***	***2004***	***2003***	***2002***	***2001***	***2006****	***2005***	***2004***	***2003***	***2002***	***2001***
Customer loans (gross)	43,097	38,081	33,642	34,359	31,096	35,785	42.27	38.97	37.25	38.91	41.47	45.33
Public sector/government	N.A.	103	41	93	205	224	N.A.	0.11	0.05	0.10	0.27	0.28
Residential real estate loans	N.A.	5,624	4,243	3,281	2,982	2,622	N.A.	5.75	4.70	3.71	3.98	3.32
Other consumer loans	N.A.	1,189	1,168	1,448	1,702	1,801	N.A.	1.22	1.29	1.64	2.27	2.28
Commercial real estate loans	N.A.	3,189	3,366	3,755	4,031	4,320	N.A.	3.26	3.73	4.25	5.37	5.47
Commercial/corporate loans	N.A.	6,346	6,729	7,642	11,783	13,788	N.A.	6.49	7.45	8.65	15.71	17.47
All other loans	43,097	21,630	18,095	18,141	10,394	13,030	42.27	22.13	20.04	20.54	13.86	16.51
Loan loss reserves	339	411	591	668	802	613	0.33	0.42	0.65	0.76	1.07	0.78
Customer loans (net)	42,758	37,670	33,051	33,691	30,294	35,172	41.93	38.55	36.60	38.15	40.40	44.55
Earning assets	90,270	81,439	74,277	72,309	60,813	66,129	88.53	83.33	82.25	81.88	81.09	83.77
Equity interests/participations (nonfinancial)	N.A.	692	771	761	721	613	N.A.	0.71	0.85	0.86	0.96	0.78
Inv. in unconsolidated subsidiaries (financial co.)	N.A.	325	361	360	284	234	N.A.	0.33	0.40	0.41	0.38	0.30
Intangibles (nonservicing)	4,673	4,429	4,269	4,091	2,574	2,082	4.58	4.53	4.73	4.63	3.43	2.64
Fixed assets	1,009	1,060	1,097	1,079	975	992	0.99	1.08	1.22	1.22	1.30	1.26
Derivatives credit amount	N.A.	1,938	2,702	2,553	2,775	2,385	N.A.	1.98	2.99	2.89	3.70	3.02
Accrued receivables	406	391	285	214	204	236	0.40	0.40	0.32	0.24	0.27	0.30
All other assets	8,545	8,772	7,498	7,800	5,272	5,728	8.38	8.98	8.30	8.83	7.03	7.26
Total reported assets	106,636	102,157	94,572	92,405	77,564	81,025	104.58	104.53	104.73	104.63	103.43	102.64
Less nonservicing intangibles	(4,673)	(4,429)	(4,269)	(4,091)	(2,574)	(2,082)						
Adjusted assets	101,963	97,728	90,303	88,314	74,990	78,943	100.00	100.00	100.00	100.00	100.00	100.00

							Breakdown as a % of liabilities + equity					
	2006*	***2005***	***2004***	***2003***	***2002***	***2001***	***2006****	***2005***	***2004***	***2003***	***2002***	***2001***
Liabilities												
Total deposits	55,993	65,060	64,531	56,784	55,708	55,711	52.51	63.69	68.23	61.45	71.82	68.76
Noncore deposits	34,757	43,042	32,176	30,761	30,796	31,257	32.59	42.13	34.02	33.29	39.70	38.58
Core/customer deposits	21,236	22,018	32,354	26,024	24,912	24,454	19.91	21.55	34.21	28.16	32.12	30.18
Acceptances (liability)	318	167	55	146	308	337	0.30	0.16	0.06	0.16	0.40	0.42
Repurchase agreements	N.A.	276	456	663	315	1,756	N.A.	0.27	0.48	0.72	0.41	2.17
Other borrowings	15,078	10,453	9,545	16,001	4,965	5,840	14.14	10.23	10.09	17.32	6.40	7.21
Other credit reserves	N.A.	155	145	136	N.A.	N.A.	N.A.	0.15	0.15	0.15	N.A.	N.A.
Other liabilities	23,630	14,902	9,282	8,978	8,485	9,564	22.16	14.59	9.81	9.72	10.94	11.80
Total liabilities	95,019	91,013	84,014	82,707	69,781	73,208	89.11	89.09	88.84	89.51	89.97	90.35
Total shareholders' equity	11,617	11,144	10,559	9,697	7,783	7,817	10.89	10.91	11.16	10.49	10.03	9.65
Limited life preferred and quasi equity	1,150	1,150	1,150	1,150	1,100	1,500	1.08	1.13	1.22	1.24	1.42	1.85
Preferred stock and other capital	0	0					0.00	0.00	0.00	0.00	0.00	0.00
Minority interest-equity	N.A.	118	119	120	(1)	0	N.A.	0.12	0.13	0.13	0.00	0.00

Table 2

Balance Sheet Statistics					**(cont.'d)**							
	—Year ended Dec. 31—						**Breakdown as a % of assets (adj.)**					
(Mil. $)	***2006****	***2005***	***2004***	***2003***	***2002***	***2001***	***2006****	***2005***	***2004***	***2003***	***2002***	***2001***
Common shareholders' equity (reported)	10,467	9,876	9,290	8,428	6,684	6,317	9.82	9.67	9.82	9.12	8.62	7.80
Share capital and surplus	9,889	9,783	9,627	9,447	8,300	8,172	9.27	9.58	10.18	10.22	10.70	10.09
Revaluation reserve	(66)	(51)	51	125	138	80	(0.06)	(0.05)	0.05	0.13	0.18	0.10
Retained profits	7,820	7,006	6,104	5,277	4,733	4,383	7.33	6.86	6.45	5.71	6.10	5.41
Other equity	(7,176)	(6,862)	(6,492)	(6,420)	(6,486)	(6,318)	(6.73)	(6.72)	(6.86)	(6.95)	(8.36)	(7.80)
Total liabilities and equity	106,636	102,157	94,572	92,405	77,564	81,025	100.00	100.00	100.00	100.00	100.00	100.00
Less revaluation reserve, intangibles	(4,607)	(4,378)	(4,320)	(4,216)	(2,712)	(2,162)						
Tangible total equity	7,010	6,766	6,239	5,482	5,072	5,655						
Tangible common equity	5,978	5,616	5,089	4,332	3,972	4,155						
Less equity in unconsolidated subsidiaries	N.A.	(325)	(361)	(360)	(284)	(234)						
Adjusted common equity	5,653	5,291	4,727	3,971	3,688	3,922						
Plus preferred stock and other capital	1,150	1,150	1,150	1,150	1,100	1,500						
Less limited life preferred stock over 10% total tangibles	(522)	(562)	(625)	(709)	(690)	(1,064)						
Plus general reserves	339	370	500	540	659	528						
Adjusted total equity	6,620	6,249	5,752	4,953	4,757	4,885						

*Data as of Sept. 30, 2006. Ratios annualized where appropriate. N.A.—Not available. Certain raw data items used within the above financial spreads have been obtained from SNL Financial LC.

Table 3

Profit and Loss Statement Statistics												
	—Year ended Dec. 31—						**Adj. avg. assets (%)**					
(Mil. $)	***2006****	***2005***	***2004***	***2003***	***2002***	***2001***	***2006****	***2005***	***2004***	***2003***	***2002***	***2001***
Profitability												
Interest income	2,683	3,325	2,452	2,328	2,613	3,652	3.44	3.42	2.58	2.65	3.39	4.60
Interest expense	1,635	1,446	808	687	874	1,868	2.10	1.49	0.85	0.78	1.13	2.35
Net interest income	1,048	1,879	1,644	1,642	1,739	1,784	1.34	1.94	1.73	1.87	2.25	2.25
Operating noninterest income	3,886	4,935	4,643	4,008	3,143	3,322	4.98	5.08	4.88	4.56	4.08	4.18
Fees and commissions	3,172	3,897	3,586	3,129	2,548	2,701	4.07	4.01	3.77	3.56	3.30	3.40
Trading gains	327	391	364	327	234	338	0.42	0.40	0.38	0.37	0.30	0.43
Other market-sensitive income	61	102	108	71	(108)	198	0.08	0.11	0.11	0.08	(0.14)	0.25
Net insurance income	0	1	1	2	1	0	0.00	0.00	0.00	0.00	0.00	0.00
Other noninterest income	326	544	585	478	468	84	0.42	0.56	0.61	0.54	0.61	0.11
Operating revenues	4,934	6,814	6,288	5,649	4,882	5,105	6.33	7.02	6.61	6.42	6.33	6.43
Noninterest expenses	3,302	4,479	4,087	3,524	2,727	2,609	4.24	4.61	4.30	4.01	3.54	3.29
Personnel expenses	1,904	2,549	2,324	2,028	1,581	1,588	2.44	2.63	2.44	2.30	2.05	2.00
Other general and administrative expense	1,356	1,890	1,728	1,472	1,138	909	1.74	1.95	1.82	1.67	1.48	1.14

Table 3

Profit and Loss Statement Statistics (cont.'d)

	—Year ended Dec. 31—						Adj. avg. assets (%)					
(Mil. $)	**2006***	**2005**	**2004**	**2003**	**2002**	**2001**	**2006***	**2005**	**2004**	**2003**	**2002**	**2001**
Amortization of intangibles	42	40	34	24	8	112	0.05	0.04	0.04	0.03	0.01	0.14
Net operating income before loss provisions	1,632	2,335	2,201	2,125	2,155	2,497	2.09	2.41	2.31	2.42	2.79	3.14
Credit loss provisions (net new)	(5)	15	15	155	660	384	(0.01)	0.02	0.02	0.18	0.86	0.48
Net operating income after loss provisions	1,637	2,320	2,186	1,970	1,496	2,112	2.10	2.39	2.30	2.24	1.94	2.66
Nonrecurring/special income	0	51	48	0	0	218	0.00	0.05	0.05	0.00	0.00	0.27
Nonrecurring/special expense	89	0	30	174	50	168	0.11	0.00	0.03	0.20	0.06	0.21
Pretax profit	1,548	2,371	2,204	1,796	1,446	2,162	1.99	2.44	2.32	2.04	1.87	2.72
Tax expense/credit	499	795	759	605	470	715	0.64	0.82	0.80	0.69	0.61	0.90
Net income before minority interest	1,049	1,576	1,445	1,191	976	1,447	1.35	1.62	1.52	1.35	1.26	1.82
Minority interest in consolidated subsidiaries	0	5	5	34	73	104	0.00	0.01	0.01	0.04	0.09	0.13
Net income before extraordinaries	1,049	1,571	1,440	1,157	902	1,343	1.35	1.62	1.51	1.32	1.17	1.69
Extraordinary Income	173	0	0	0	0	0	0.22	0.00	0.00	0.00	0.00	0.00
Net income after extraordinaries	1,222	1,571	1,440	1,157	902	1,343	1.57	1.62	1.51	1.32	1.17	1.69
Core earnings	1,109	1,537	1,428	1,272	936	1,310	1.42	1.58	1.50	1.45	1.21	1.65

	2006*	**2005**	**2004**	**2003**	**2002**	**2001**
Asset Quality						
Nonperforming assets	38	87	228	369	440	232
Nonaccrual loans	38	73	213	349	415	219
Loans in arrears but accruing	0	14	15	20	26	13
Net charge-offs	31	186	82	182	470	375
Average balance sheet						
Average customer loans	33,031	39,682	37,778	35,623	34,808	37,519
Average earning assets	74,238	82,114	81,061	74,170	64,996	65,261
Average assets	108,472	101,435	99,340	91,314	79,452	81,349
Average total deposits	60,527	64,795	60,658	56,246	55,709	56,044
Average interest-bearing liabilities	60,454	75,161	73,990	67,218	51,535	50,368
Average common equity	10,012	9,473	8,797	7,654	6,524	6,260
Average adjusted assets	103,921	97,086	95,160	87,982	77,124	79,409
Other data						
Number of employees (end of period, actual)	N.A.	23,451	23,363	22,901	19,435	19,181
Number of branches	N.A.	341	341	N.A.	341	352
Total assets under management	0	0	0	0	76,000	61,650
Assets under administration	N.A.	N.A.	N.A.	N.A.	28,000	N.A.
Off-balance-sheet credit equivalents	0	51,091	53,161	51,091	52,956	56,533

*Data as of Sept. 30, 2006. Ratios annualized where appropriate. N.A.—Not available. Certain raw data items used within the above financial spreads have been obtained from SNL Financial LC.

Table 4

Ratio Analysis

	—Year ended Dec. 31—					
	2006*	***2005***	***2004***	***2003***	***2002***	***2001***
ANNUAL GROWTH (%)						
Customer loans (gross)	17.56	13.19	(2.09)	10.49	(13.10)	1.84
Loss reserves	(53.46)	(23.11)	(8.41)	0.21	30.89	(0.52)
Adjusted assets	5.78	8.22	2.25	17.77	(5.01)	4.82
Customer deposits	(4.73)	(31.95)	24.33	4.46	1.87	2.33
Tangible common equity	8.59	10.37	17.47	9.06	(4.41)	1.12
Total equity	5.66	5.55	8.88	24.59	(0.43)	2.16
Operating revenues	(3.48)	8.37	11.31	15.71	(4.38)	3.73
Noninterest expense	(1.73)	9.59	15.99	29.22	4.52	5.24
Net operating income before provisions	(6.83)	6.10	3.54	(1.38)	(13.68)	2.20
Loan loss provisions	(144.43)	2.74	(90.58)	(76.50)	71.55	266.17
Net operating income after provisions	(5.94)	6.13	10.95	31.74	(29.19)	(9.65)
Pretax profit	(12.97)	7.57	22.70	24.26	(33.14)	(8.53)
Net income	(11.27)	9.08	21.30	22.09	(32.58)	(6.17)
	2006*	***2005***	***2004***	***2003***	***2002***	***2001***
PROFITABILITY (%)						
Interest Margin Analysis						
Net interest income (taxable equiv.)/avg. earning assets	1.92	2.36	2.07	2.26	2.64	2.82
Net interest spread	1.25	2.20	1.97	2.16	2.29	1.98
Interest income (taxable equiv.)/avg. earning assets	4.86	4.12	3.06	3.19	3.98	5.69
Interest income on loans/avg. total loans	4.90	4.19	3.11	3.46	4.08	5.92
Interest expense/avg. interest-bearing liabilities	3.61	1.92	1.09	1.02	1.70	3.71
Interest expense on deposits/avg. deposits	2.28	1.47	1.00	0.90	1.16	2.51
Revenue Analysis						
Net interest income/revenues	21.24	27.58	26.15	29.06	35.61	34.94
Fee income/revenues	64.29	57.19	57.03	55.39	52.20	52.91
Market-sensitive income/revenues	7.86	7.24	7.50	7.05	2.59	10.51
Noninterest income/revenues	78.76	72.42	73.85	70.94	64.39	65.06
Personnel expense/revenues	38.59	37.41	36.97	35.90	32.38	31.10
Noninterest expense/revenues	66.92	65.73	65.00	62.38	55.86	51.10
Noninterest expense/revenues less investment gains	67.76	66.73	66.14	63.17	54.65	53.16
Expense less amortization of intangibles/revenues	66.07	65.15	64.45	61.95	55.69	48.91
Expense less all amortizations/revenues	66.07	65.15	64.45	61.95	55.69	48.91
Net operating income before provision/revenues	33.08	34.27	35.00	37.62	44.14	48.90
Net operating income after provisions/revenues	33.18	34.05	34.77	34.88	30.63	41.37
New loan loss provisions/revenues	(0.10)	0.22	0.23	2.74	13.51	7.53
Net nonrecurring/abnormal income/revenues	(1.80)	0.75	0.29	(3.08)	(1.02)	0.98
Pretax profit/revenues	31.37	34.80	35.05	31.80	29.61	42.35

Table 4

Ratio Analysis *(cont.'d)*

	—Year ended Dec. 31—					
	2006*	**2005**	**2004**	**2003**	**2002**	**2001**
Net income/revenues	21.26	23.13	22.98	21.09	19.98	28.34
Tax/pretax profit	32.24	33.53	34.45	33.69	32.51	33.07
	2006*	**2005**	**2004**	**2003**	**2002**	**2001**
OTHER RETURNS						
Pretax profit/avg. risk assets (%)	N.A.	3.10	3.02	2.60	2.13	3.21
Net income/avg. risk assets (%)	N.A.	2.06	1.98	1.72	1.44	2.15
Revenues/avg. risk assets (%)	N.A.	8.91	8.63	8.16	7.20	7.58
Net operating income before loss provisions/avg. risk assets (%)	N.A.	3.05	3.02	3.07	3.18	3.71
Net operating income after loss provisions/avg. risk assets (%)	N.A.	3.03	3.00	2.85	2.21	3.14
Net income before minority interest/avg. adjusted assets	1.35	1.62	1.52	1.35	1.26	1.82
Net income/avg. assets + securitized assets	1.34	1.60	1.50	1.35	1.26	1.82
Net income/employee (currency unit)	N.A.	67,330	62,459	56,270	50,197	75,442
Personnel expense/employee (currency unit)	N.A.	108,899	100,484	95,797	81,344	82,792
Personnel expense/branch (mil. currency unit)	N.A.	7.48	N.A.	N.A.	4.56	4.47
Noninterest expense/branch (mil. currency unit)	N.A.	13.13	N.A.	N.A.	7.87	7.34
Cash earnings/avg. tang. common equity (ROE) (%)	25.09	30.19	31.41	29.28	24.20	37.72
Core earnings/avg. tang. common equity (ROE) (%)	25.51	28.72	30.32	30.65	23.04	31.70
	2006*	**2005**	**2004**	**2003**	**2002**	**2001**
FUNDING AND LIQUIDITY (%)						
Customer deposits/funding base	29.88	29.05	43.41	35.43	40.85	38.63
Total loans/customer deposits	202.94	187.68	112.62	138.01	129.70	151.32
Total loans/customer deposits + long-term funds	107.37	104.44	76.16	88.26	87.24	103.23
Customer loans (net)/assets (adj.)	41.93	38.55	36.60	38.15	40.40	44.55
	2006*	**2005**	**2004**	**2003**	**2002**	**2001**
CAPITALIZATION (%)						
Adjusted common equity/adjusted assets	5.54	5.41	5.23	4.50	4.92	4.97
Adjusted common equity/adjusted assets + securitization	5.54	5.35	5.13	4.48	4.91	4.96
Adjusted common equity/risk assets	N.A.	6.67	6.42	5.51	5.56	5.66
Adjusted common equity/customer loans (net)	13.22	14.05	14.30	11.79	12.17	11.15
Internal capital generation/prior year's equity	14.16	9.98	9.87	8.85	5.60	13.27
Tier 1 capital ratio	8.21	8.38	8.31	7.44	7.58	8.11
Regulatory total capital ratio	12.38	12.48	12.21	11.49	11.96	11.57
Adjusted total equity/adjusted assets	6.49	6.39	6.37	5.61	6.34	6.19
Adjusted total equity/adjusted assets + securitizations	6.49	6.32	6.24	5.59	6.33	6.18
Adjusted total equity/risk assets	N.A.	7.88	7.81	6.87	7.17	7.05
Adjusted total equity plus LLR (specific)/customer loans (gross)	15.36	16.52	17.37	14.79	15.76	13.89
Common dividend payout ratio	0.00	40.99	42.22	48.85	60.78	39.21
Total equity double leverage	N.A.	110.04	100.19	108.99	110.08	115.08

Table 4

Ratio Analysis *(cont.'d)*

		—Year ended Dec. 31—				
	2006*	**2005**	**2004**	**2003**	**2002**	**2001**
Common equity double leverage	N.A.	116.59	105.86	114.69	116.83	123.01
	2006*	**2005**	**2004**	**2003**	**2002**	**2001**
ASSET QUALITY (%)						
New loan loss provisions/avg. customer loans (net)	(0.02)	0.04	0.04	0.44	1.89	1.02
Net charge-offs/avg. customer loans (net)	0.13	0.47	0.22	0.51	1.35	1.00
Residential real estate NCOs	N.A.	0.00	(0.00)	(0.00)	0.01	0.00
Other consumer NCOs	N.A.	1.44	1.58	0.70	0.25	0.68
Commercial real estate NCOs	N.A.	0.00	0.01	0.01	(0.05)	0.01
Commercial/corporate NCOs	N.A.	2.42	0.65	1.55	3.53	2.47
Loan loss reserves/customer loans (gross)	0.79	1.08	1.76	1.94	2.58	1.71
Gen. loan loss reserves/customer loans (net of specifics)	0.79	0.97	1.49	1.58	2.13	1.48
Credit-loss reserves/risk assets	N.A.	0.71	1.00	1.12	1.21	0.88
Nonperforming assets (NPA)/customer loans + ORE	0.09	0.23	0.68	1.07	1.42	0.65
NPA (excl. delinquencies)/customer loans + ORE	0.09	0.19	0.63	1.02	1.33	0.61
Residential real estate NPL	N.A.	0.00	0.00	0.01	0.01	0.02
Other consumer NPL	N.A.	0.08	0.12	2.21	0.98	0.03
Commercial real estate NPL	N.A.	0.34	0.17	0.14	0.10	0.13
Commercial/corporate NPL	N.A.	0.52	2.59	3.18	2.96	1.27
Net NPA/customer loans (net) + ORE	(0.70)	(0.86)	(1.10)	(0.89)	(1.19)	(1.08)
NPA (net specifics)/customer loans (net specifics)	0.09	0.12	0.41	0.71	0.96	0.41
Loan loss reserves/NPA (gross)	892.11	472.41	258.78	181.17	182.10	264.52

*Data as of Sept. 30, 2006. Ratios annualized where appropriate. N.A.—Not available. Certain raw data items used within the above financial spreads have been obtained from SNL Financial LC.

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